

Message Text

UNCLASSIFIED

PAGE 01 JIDDA 03609 01 OF 03 141528Z
ACTION NEA-11

INFO OCT-01 ISO-00 SS-15 SSO-00 ONY-00 /027 W
-----101512 141532Z /41

O R 141241Z MAY 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 2030
INFO AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 1 OF 3 JIDDA 3609

FOR AMBASSADOR WEST NEA/ARP ONLY

E.O.11652: N/A
TAGS: EFIN, BEXP, SA
SUBJ: SECTION 911 TAX HEARINGS

REF: JIDDA 3482

1. INFORMATION PREPARED BY BUSINESSMAN'S COMMITTEE ON TAX
ISSUE, AND PROMISED REFTEL FOR YOUR APPEARANCE BEFORE WAYS
AND MEANS COMMITTEE, FOLLOWS. FYI: THIS WAS PREPARED BY
BECHTEL AND HAS BEEN SENT TO SAN FRANCISCO FOR CHECK OUT
WHICH NOT YET RECEIVED. ARMSTRON HAS NO PROBLEM, HOWEVER.
WITH YOUR USING IT IN NAME OF COMMITTEE. END FYI.

2. MATERIAL COMPARES HYPOTHEICAL TAX LIABILITIES, UNDER
TWO BASE CASES, OF VARIOUS PROPOSALS NOW BEFORE CONGRESS.
FIRST BASE CASE IS EMPLOYEE WITH \$56,000 SALARY PLUS
\$20,000 UNEARNED INCOME, WHO UNDER 1975 RULES WOULD HAVE
PAID \$10,370 TAXES. 1976 ACT WOULD HAVE RAISED THOSE
TAXES TO \$30,609, LEAVING A DISCRETIONARY INCOME OF
ONLY \$25,551. UNDER TREASURY PROPOSAL NOW BEFORE
CONGRESS, TAXES WOULD BE DROPPED TO \$22,870, UNDER
RIBICOFF BILL TO \$17,795 UNDER BARTLET TO \$18,740.
AND UNDER MCCLURE/HOLLAND/CRANE/JONES TO \$5,347.
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PAGE 02 JIDDA 03609 01 OF 03 141528Z

SECOND CASE IS FOR EMPLOYEE IN CAMP EARNING \$42,280
BASE SALARY AND \$15,730 UNEARNED INCOME, WHOSE
TAXES UNDER 1975 RULES WOULD HAVE BEEN \$2261 AND
UNDER 1976 ACT. \$15,247. TAXES UNDER NEW PROPOSALS
WOULD BE: TREASURY \$16,690, RIBICOFF \$9,409.
BARTLET \$14,490 MCCLURE ET AL. \$3,544. STRIKING
POINT IS THAT, UNDER THIS ANALYSIS, TREASURY

PROPOSAL IS LESS FAVORABLE THAN RIBICOFF AND, IN
CASE TWO, LESS FAVORABLE EVEN THAN 1976, ACT.

3. MATERIAL IS IN TABULAR FORM , WHICH WE HAVE
REDUCED FOR PURPOSES OF TRANSMISSION BY NUMBERING
COLUMN HEADINGS AND CORRESPONDING/COLUMN ENTRIES FOR
EACH ITEM OF TABLES. COLUMN HEADINGS AND KEY TO FOOTNOTES
FOLLOW IMMEDIATELY, THEN LINE ENTRIES FROM
TABLES.

COLUMN HEADINGS : (1) 1975 RULES, (2) WITH NEW COURT
CHANGE; (3) 1976 TAX REFORM ACT; (4) TREASURY PROPOSAL,
(5) S. 2115, RIBICOFF, (6) S. 2529, BARTLET, (7)
"NCA" S. 2576, MCCLURE, HR 11459, HOLLAND, HR 11057,
CRANE; HR 11065 JONES.

KEY: A. COST OF HOUSING, TRAVEL, R&R AND RELOCATION
REPORTED AS \$0 TO EMPLOYEE.

B. COST OF HOUSING REPORTED ACCORDING TO
INDEXED TABLE FOR FOREIGN HOUSING.

C. ASSUME MAXIMUM TAX OF 50 PERCENT FOR PERSONAL
SERVICE INCOME.

D. FOREIGN INCOME EXCLUSION TO BE PHASED OUT
IN THREE YEARS.

CASE 1 TABLE:

EARNED INCOME: (1) 56160 (2) 56160 (3) 56160
(4) 56160 (5) 56160 (6) 56160 (7) 56160.

UNEARNED INCOME: (1) 20260 A (2) 44560 B
UNCLASSIFIED

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PAGE 03 JIDDA 03609 01 OF 03 141528Z

(3) 44560 B (4) 44560 B (5) 44560 B (6) 44560 B
(7) 44560 B.

GROSS INCOME : (1) 76420 (2) 100720 (3) 100720
(4) 100720 (5) 100720 (6) 100720 (7) 100720.

FOREIGN INCOME EXCLUSION: (1) 20000 (2) 20000
(3) 0 (4) 0 (5) 15000 D (6) 0 (7) 20000.

ADJUSTED GROSS INCOME: (1) 56420 ((2) 80720
(3) 100720 (4) 100720 (5) 85720 (6) 100720 (7) 80720.

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PAGE 01 JIDDA 03609 02 OF 03 141533Z
ACTION NEA-11

INFO OCT-01 ISO-00 SS-15 SSO-00 ONY-00 /027 W

-----101519 141538Z /41

O R 141241Z MAY 78

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 2031

INFO AMCONSUL DHAHRAN

USLO RIYADH

UNCLAS SECTION 2 OF 3 JIDDA 3609

FOR AMBASSADOR WEST NEA/ARP ONLY

DEDUCTIONS & EXEMPTIONS:

HOUSING : (1) 0 (2) 0 (3) 0 (4) 0 (5) 0 (6) 0
(7) 0.

LIVING ALLOWANCE : (1) 0 (2) 0 (3) 0 (4) 0
(5) 3460 (6) (7) 3460.

EDUCATION : (1) 0 (2) 0 (3) 0 (4) 11300
(5) 11600 (6) 11600 (7) 11600.

TRAVEL & R&R (1) 0 (2) 0 (3) 0 (4) 4000
(5) 0 (6) 8000 (7) 13800.

RELOCATION : (1) 0 (2) 0 (3) 0 (4) 4000
(5) 0 (6) 4500 (7) 6000.

STANDARD DEDUCTION : (1) 3200 (2) 3200
(3) 3200 (4) 3200 (5) 3200 (6) 3200 (7) 3200.

PERSONAL EXEMPTION: (1) 3000 (2) 3000
(3) 3000 (4) 3000 (5) 3000 (6) 3000 (7) 3000.

TAXABLE INCOME: (1) 50220 (2) 74520 (3) 94520
(4) 75220 (5) 64460 (6) 66960 (7) 39660.

TAX LIABILITY C: (1) 15570 (2) 27720 (3) 37720
(4) 28070 (5) 22690 (6) 23940 (7) 10547.

FOREIGN TAX CREDIT FOR

INCOME EXCLUSION: (1) 0 (2) 0 (3) 2216
(4) 0 (5) 0 (6) 0 (7) 0.

FOREIGN INCOME TAX: (1) 5200 (2) 5200

UNCLASSIFIED

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PAGE 02 JIDDA 03609 02 OF 03 141533Z

(3) 4895 (4) 5200 (5) 4895 (6) 5200 (7) 5200.

NET TAX LIABILITY : (1) 10370 (2) 22520 (3) 30609
(4) 22870 (5) 17795 (6) 18740 (7) 5347.

EARNED INCOME : (1) 56160 (2) 56160 (3) 56160
(4) 56160 (5) 56160 (6) 56160 (7) 56160.

LESS TAXES: (1) (10370) (2) (22520) (3) (30609)
(4) (22870) (5) (17795) (6) (18740) (7) (5347).

DISCRETIONARY INCOME: (1) 45790 (2) 33640
(3) 25551 (4) 33290 (5) 38365 (6) 37420 (7) 50813.

NOTE ON SALARY COMPUTATION FOR CASE 1:

EARNED INCOME

BASE SALARY / \$31,200

FOREIGN SERVICE PREMIUM / 2,340

EXTENDED WORK WEEK / 7,800
AREA ALLOWANCE / 2,340
HARDSHIP ALLOWANCE / 4,680
COMPLETION BONUS / 5,300
LUMP SUM ALLOWANCE / 2,500
INCENTIVE MAINTENANCE / -0-

SUB TOTAL / \$56,160

UNEARNED INCOME
HOUSING / \$4,500
COST OF LIVING / 3,460
TRAVEL AND R&R / 13,800
EDUCATION / 11,600
RELOCATION/ 6,000
FOREIGN TAXES PAID BY EMPLOYER / 5,200
SUB TOTAL / \$44,560
GROSS INCOME / \$100,720

ASSUMPTIONS:
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PAGE 03 JIDDA 03609 02 OF 03 141533Z

MARRIED STATUS (U.S.)
GRADE 28
BASE SALARY PER MONTH IS EQUAL \$2,600
50 HOUR WORK WEEK
TWO (2) CHILDREN - ONE (1) IN-KNGDOM
ONE (1) OUT-OF-KINGDOM
HOUSING- BACHTEL CONSIDERS HOUSING IN SAUDI
ARABIA AS QUASI-CAMP AND THERFORE NO COST OR
INCOME TO EMPLOYEES. HOWEVER,
IF HOUSING WERE TO BE INCLUDED, THE
FIGURE ABOVE CORRESPONDS TO BECHTEL'S
TABLE FOR FOREIGN HOUSING SHELTER.

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PAGE 01 JIDDA 03609 03 OF 03 141541Z
ACTION NEA-11

INFO OCT-01 ISO-00 SS-15 SSO-00 ONY-00 /027 W
-----101527 141543Z /41

O R 141241Z MAY 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 2032
INFO AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 3 OF 3 JIDDA 3609

FOR AMBASSADOR WEST NEA/ARP ONLY

CASE 2 - TABLE:

EARNED INCOME : (1) 42280 (2) 42280 (3) 42280
(4) 42280 (5) 42280 (6) 42280 (7) 42280.
UNEARNED INCOME: (1) 3030 A (2) 15730 B (3) 15730 B
(4) 15730 B (5) 15730 B (6) 15730 B (7) 15730 B.
GROSS INCOME : (1) 45310 (2) 58010 (3) 58010
(4) 58010 (5) 58010 (6) 58010 (7) 58010.
FOREIGN INCOME EXCLUSION: (1) 20000 (2) 20000
(3) 0 (4) 0 (5) 15000 D (6) 0 (7) 20000.
ADJUSTED GROSS INCOME: (1) 25310 (2) 38010 (3) 58010
(4) 58010 (5) 43010 (6) 58010 (7) 38010.
DEDUCTIONS & EXEMPTIONS
HOUSING (1) 0 (2) 0 (3) 0 (4) 0 (5) 0
(6) 0 (7) 0.
LIVING ALLOWANCE (1) 0 (2) 0 (3) 0 (4) 0
(5) 2400 (6) 2400 (7) 2400.
EDUCATION: (1) 0 (2) 0 (3) 0 (4) 0 (5) 0
(6) 0 (7) 0.
TRAVEL & R&R: (1) 0 (2) 0 (3) 0 (4) 1000
(5) 0 (6) 200 (7) 5000.
RELOCATION : (1) 0 (2) 0 (3) 0 (4) 1000
(5) 0 (6) 2000 (7) 2000.
STANDARD DEDUCTION: (1) 2200 (2) 2200
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JIDDA 03609 03 OF 03 141541Z

(3) 2200 (4) 2200 (5) 2200 (6) 2200 (7) 2200.
PERSONAL EXEMPTION: (1) 750 (2) 750 (3) 750
(4) 750 (5) 750 (6) 750 (750).
TAXABLE INCOME : (1) 22360 (2) 35060 (3) 55060
(4) 53060 (5) 37660 (6) 48660 (7) 25660.
TAX LIABILITY C : (1) 5291 (2) 10720 (3) 20720
(4) 19720 (5) 12020 (6) 17520 (7) 6574.
FOREIGN TAX CREDIT FOR
INCOME EXCLUSION : (1) 0 (2) 0 (3) 2862
(4) 0 (5) 0 (6) 0 (7) 0.
TRAVEL & R&R / 5,000
EDUCATION / -0-
RELOCATION / 2,000
FOREIGN TAXES PAID BY EMPLOYER / 3,030
SUB TOTAL / \$15,730

GROSS INCOME / \$ 58,010

ASSUMPTIONS:

SINGLE STATUS (U.S.)

GRADE 25

BASE SALARY PER MONTH IS EQUAL \$2,000

50 HOUR WORK WEEK

HOUSING - BECHTEL CONSIDERS HOUSING IN SAUDI

ARABIA AS QUASI - CAMP AND THEREFOR ENO

COST OR INCOME TO EMPLOYEES. HOWEVER,

IF HOUSING WERE TO BE INCLUDED, THE FIGURE

ABOVE CORRESPONDS TO BECHTEL'S TABLE

FOR FOREIGN HOUSING SHELTER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESSMEN, TAX LAW, US CONGRESSIONAL HEARINGS, TAXES, COMMITTEES, US CONGRESSIONAL PRESENTATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JIDDA03609
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780204-0932
Format: TEL
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780560/aaaabzdv.tel
Line Count: 291
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: daa21c9f-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: ONLY
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: 78 JIDDA 3482
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2697593
Secure: OPEN
Status: NATIVE
Subject: SECTION 911 TAX HEARINGS
TAGS: EFIN, BEXP, PGOV, SA, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/daa21c9f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014